A MARKETING PUBLICATION OF LIPPINCOTT & MARGULIES NUMBER 31

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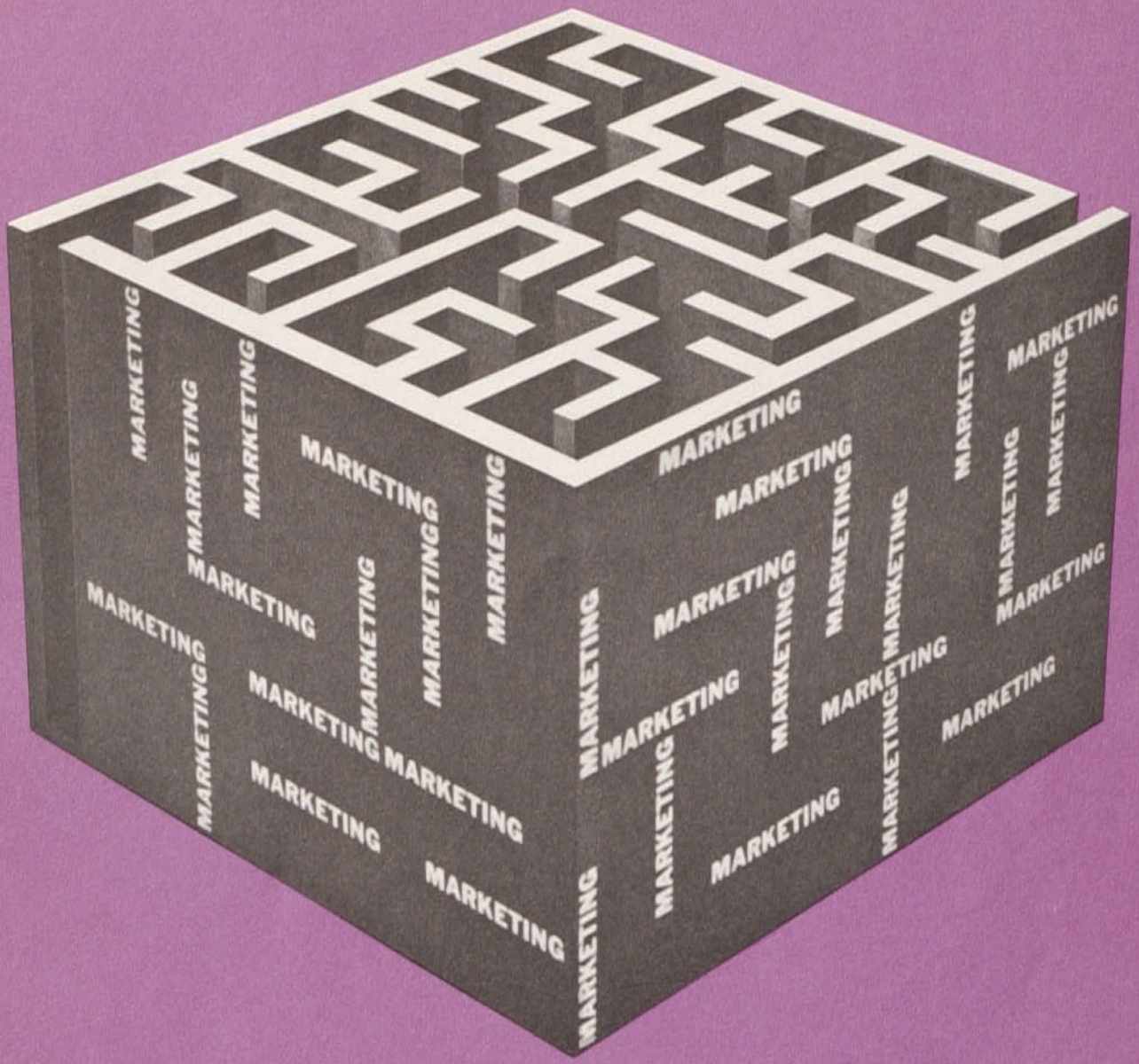

SPECIAL MARKETING ISSUE

The Marketing Maze
Uses and Abuses of the Marketing Concept
Marketing and Corporate Profits
The Merged Brand: How Will It Fit into the Corporate Structure?
U.S. Steel: A Marketing Challenge

Market Planning · Research · Product Development · Advertising · Promotion · Selling

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DESIGN SENSE®

....Marketing Communications

SPECIAL MARKETING ISSUE

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Today marketing is to managers what democracy is to the politicians: the most often invoked and most frequently abused concept.

We too had been guilty of misusing the term at times in the past by not practicing what we preached. Recognizing this problem, we are constantly reevaluating our company to make sure we use the marketing concept in our own approach to business.

Recently, we thought it might be fruitful to examine the entire business community, and we found that the marketing concept has never been more popular as a term, nor more frequently violated in practice than it is today.

Therefore we have decided to comment on various aspects of this important subject from time to time. In this issue, we take a general look at Marketing Today which may help to dispel some of the mystery and misconceptions which surround the term.

A marketing publication of Lippincott & Margulies Inc., Industrial Designers and Marketing Consultants, 430 Park Avenue, New York 22, New York. In Canada Lippincott & Margulies Ltd., 481 University Ave., Toronto, Ontario, Canada. No part of this periodical may be reproduced without written consent. © Lippincott & Margulies Inc. 1963.

Market Planning · Research · Product Development · Advertising · Promotion · Selling

Many corporate activities are properly defined as "marketing functions": planning and evaluation; product development; distribution; communications; selling. Marketing is an over-all approach to business

WHAT MARKETING MEANS

Recently, the business section of the New York Times carried the following two display ads on the same page:

"Diversified consumer goods company needs mature marketing director, $45,000," and

"Dynamic marketing director, appliance manufacturer, opportunity, top salary, $8,500."

If there is such a disparity in salary and definition, what does the title "marketing director" really mean?

The two divergent executive recruitment ads illustrate the broad range of interpretations and misinterpretations of the meaning of "marketing" in the business community today. Yet marketing, as a basic business and economic concept, is as old as the idea of barter.

Certainly, in today's highly competitive business climate, it is not surprising to find many successful practitioners of such a recognized management concept. What is surprising, on the contrary, is the large number of misuses and abuses of the term "marketing" which still plague many companies in nearly every industry.

In its work with corporations in every area of manufacturing and service industry, Lippincott & Margulies has found that few business terms have suffered more from misinterpretation than marketing despite its many champions. Most managers today agree that:

- The marketing concept can help a company optimize its profits, and
- Employment of the marketing concept can prevent costly mistakes or minimize them.

But whose responsibility are basic marketing mistakes when they do occur?

This is one of the basic questions L & M sought to answer in its evaluation and analysis of the effectiveness of marketing practices today.

The key to this vitally important dollar and cents question can be found in a definition and understanding of marketing — what it is and what it is not.

Here is the way L & M's own marketing team defines the concept, its function, potential and limitations:

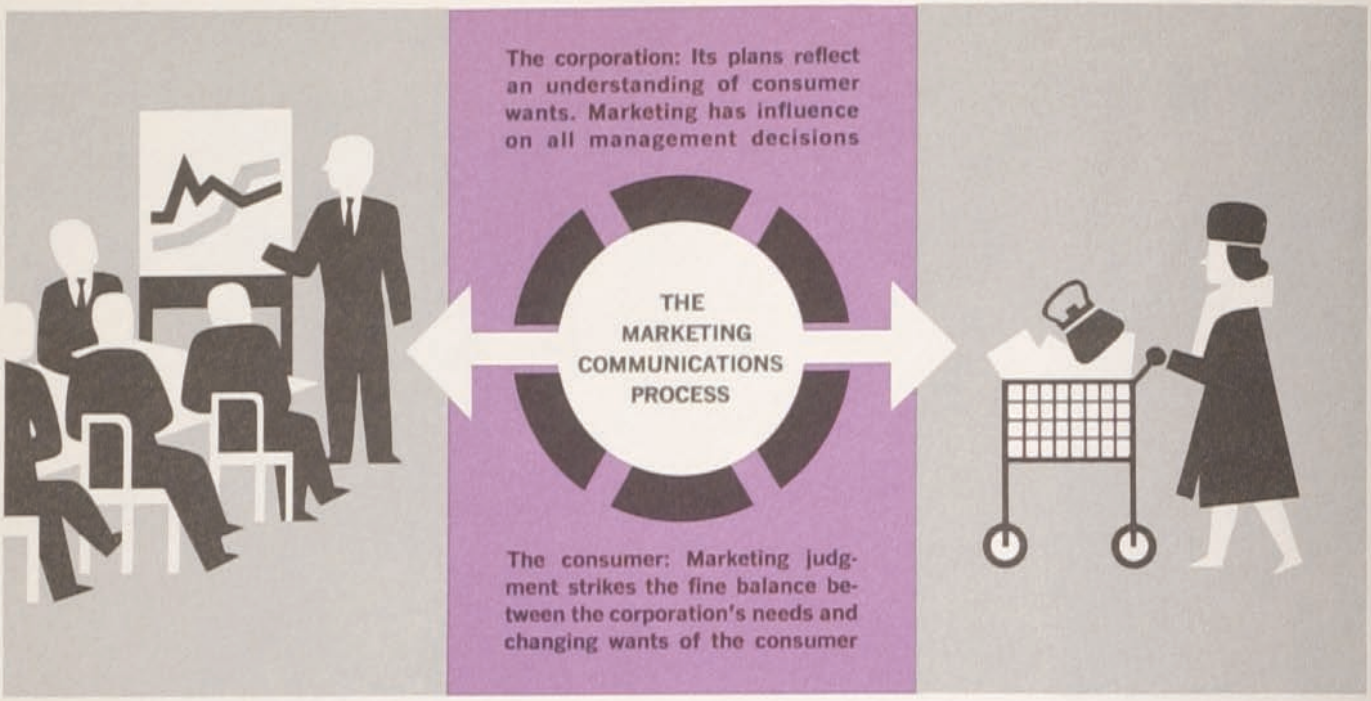
Marketing is a system or technique for approaching business and business problems. It is the sum total of criteria which we bring to the making of a business decision, rather than any set of facts we may use to document or reinforce a decision. It is *how* we do, not *what* we do.

Marketing is not the exclusive domain of one executive and his staff: Everyone from the president of the corporation on downward must be conscious of the marketing concept. Marketing thinking is needed and important in all divisions, as contrasted with production thinking or knowledge which is vital and essential in specific areas, but not in every corporate activity.

Unless management is aware of the importance of marketing and able to exercise sound marketing judgment, the corporation does not derive its full measure of success and profit from its efforts. Where marketing is isolated and left out of the decision-making areas that are properly within its competence, the corporation most likely will suffer.

Marketing is a rational process which must challenge intuition, not eliminate it. It is a systematic process for building from known factors to less knowns. It is an analytical tool, and part of its importance is gauged by the degree to which it can effectively use the "consumer concept."

But it would be naive to assume that any corporation could function profitably if it were only consumer- and not corporate-interest oriented. Obviously, financial and production considerations are vitally important to the corporate


The corporation: Its plans reflect an understanding of consumer wants. Marketing has influence on all management decisions
THE MARKETING COMMUNICATIONS PROCESS
The consumer: Marketing judgment strikes the fine balance between the corporation's needs and changing wants of the consumer

health. Finance and production are, by their nature, inward-looking corporate functions. The consumer concept, by definition, is the ability of the company to be in close touch with the outside—with the dynamic and changing needs, wants and desires of the consumer. Sound marketing judgment helps to strike a balance between the corporation's needs and the consumer.

It becomes apparent then that such marketing awareness and judgment must truly be exercised from the top level of corporate management on downward, if the corporate needs are to be weighed against consumer needs, and if decisions based upon this evaluation are then to be shaped into corporate policy.

These corporate needs may encompass a broad range of financial considerations, production requirements, labor policies and problems and other factors which have an influence upon the corporation's profitability as well as its outputs.

Obviously, such encompassing judgment cannot be exercised in a corporation where top corporate management defines the marketing function as a number of finite activities to be exercised within a self-contained department which does not influence corporate policies.

TODAY'S USES AND ABUSES

Few businessmen and managers today will argue against the need for applying marketing judgment to their conduct of business. Yet from observing the business community and dealing with various marketing and communications problems in different industries, L & M has found that these are some of today's worst abuses of the marketing concept:

Marketing has become a "mausoleum" term. It has become the corporate catch-all for various subsidiary marketing functions, without being given top corporate decision-making authority.

Recently, for example, the executive vice president of a major appliance manufacturer faced a serious staff problem:

The sales manager of the firm had been doing an excellent job of revitalizing the sales force and reorganizing the sales districts. His new incentive program was paying off handsomely. The man really merited a promotion, but for various internal reasons, could not be made an officer in the company. At the same time, his assistant had been steadily moved up until the gap between him and the sales manager had narrowed.

How to solve this problem without risking losing a good man to a competitor?

After grappling with this puzzler for a while, the executive vice president found the solution to his personnel problem. He promoted the sales manager to "marketing director."

An isolated case?

Unfortunately not. The sales manager named "marketing director" without being given either responsibility or authority commensurate with the title, nor with the experience and scope to fill his new post properly, is only

one of an unfortunately large number of comparable examples.

A machine tool concern recently established the new post of director of marketing. Its job description said the man's function is to advise corporate management, but the company did not give the man the communications set-up to carry out any actions. He will have no direction over sales, advertising or marketing research. All these functions are set up separately.

Marketing has become a corporate buzz-word. It has become fashionable to endorse marketing concepts and lay claim to practicing according to sound marketing principles. Therefore, most companies pay lip service to marketing as if it were a new religion, yet an astounding number of top corporate executives still do not fully understand the scope and meaning of marketing.

The gravest danger implicit in this corporate attitude is that the existence of the title lulls top corporate management into a false sense of security, when, in practice, the company is neither organized nor oriented to act according to basic marketing precepts.

Marketing has become synonymous with complete consumer-orientation. This abuse is certainly prevalent in the consumer goods industries. One giant food corporation, for example, looks like a perfect expression of the systematic marketing approach when it is evaluated on the basis of its organizational chart alone. All the titles are reasonable and accurate in terms of job function and responsibility. The lines of communication within the company are clearly drawn.

In practice, however, this corporation has made a number of serious errors in judgment by making basic new product decisions based entirely upon consumer research, without taking into account adequately some of the production and financial factors which would ultimately affect the corporate profits.

What this corporation failed to understand is that marketing is basically only as successful as it is able to reach a rational balance between the corporate needs and the consumer needs. For sound policies, the corporation should not be dominated by either side, and it is the function of marketing to open the lines of communication between the corporation and the consumer in order to achieve this balance.

Within this framework, it becomes apparent that the consumer's voice deserves to be heard, but that it should not dictate policy. To paraphrase a popular military maxim, if military intelligence should sit on a board of strategy, then consumer research should be represented at the plans board.

Certainly it is important to be aware of current consumer attitudes in corporate planning and decision-making. The question, however, is one of degree.

To what extent should consumer attitudes influence corporate decisions?

Obviously, there is no pat answer to this question. If there were a magic formula to solve this puzzle, marketing products and services would be far less risky than it is.

Relating consumer wants and attitudes to corporate needs is certainly an important part of the marketing concept, but it is not synonymous with it. The marketing concept is broader and more encompassing than the ability to be consumer-oriented. Indeed, it can be a dangerous practice and highly unprofitable to confuse these functions.

If military intelligence is vital to a board of strategy, then consumer research must certainly represent the consumer at the corporation's marketing plans board

MARKETING AND PROFITS

What is the relationship between good marketing practices and corporate profits?

And why are some of the flagrant abuses a threat to the corporation caught in today's competitive profit squeeze?

The answer to these questions may be found in a brief analysis of some of the challenges and opportunities which some industries may be overlooking today.

Color television is certainly an example of a multi-million marketing effort that has failed to date to bring in commensurate profits. Where did the set manufacturers fail?

Eastern Airlines' air shuttle is a recent marketing innovation. Until then, airlines competed for the same market in the same way. Yet, it is frequency and convenience of schedules, not meals, that appeal to regular air travelers, such as businessmen

It began in the early Fifties, when RCA's compatible system achieved FCC approval. The product was excellent, represented an exciting technical breakthrough. RCA launched an ambitious production and sales program: It set goals based upon the earlier success of black-and-white television, and supported its marketing effort with an estimated $130 million investment over the past nine years.

The result?

The public didn't buy. The improvement did not seem to justify the price differential to the consumer. And, despite the costly inducement of color programming on NBC TV, color set sales lingered well below 100,000 a year throughout the Fifties.

The problem resulted from the failure to understand the consumer and evaluate his attitude toward the added product benefit. The over-all result of this error in judgment, however, was a set-back for the entire industry. Not until the Sixties did color set sales induce the leading set manufacturers to go into color. And only now are the other two television networks adding sufficient color programming to share the burden with NBC. This delay might have been avoided through better use of the marketing concept.

Marketing gaffes occur in virtually every industry, and service industry is far from exempt from error. The airlines, for example, have fought traditionally for some 15% of the travelers who provide 80 to 85% of the travel business, such as businessmen. But these people travel by plane almost regardless of airline efforts. What most of

from its previous mistake.

One notable success and exception in the consumer goods industry is Procter & Gamble whose marketing sophistication can be measured with its unusually high ratio of successful new products as compared with industry averages.

But new product failures may occur at many stages prior to national or regional exposure to the marketplace, and while earlier errors may be less damaging, they are costly nonetheless.

A large household products manufacturer recently suffered a new product failure which could clearly have been avoided through proper use of the marketing concept. The firm's consumer products department had conducted some studies revealing the need for a new kind of powdered washing product. The specifications for this product were passed along to research and development.

R & D came back with a product which met these specifications and even represented a real chemical breakthrough. At this point, market research took over again to position the appeals of the new product. But to everyone's amazement, research showed that the product had little appeal to consumer who felt that it was no better than the other powders then in existence and worse than the liquids.

Why?

The product measured up to six-year-old criteria which had become dated. Early in the project there had been a breakdown in communication between market research and the laboratories which resulted in a waste of time and money.

It is key to the marketing concept that the lines of communication between the various functions within the corporation and the marketplace must be kept clear and open so that there can be an exchange of information.

What are the broad areas of operational responsibility which properly fall under the broad umbrella called marketing?

Marketing Systems, Inc., L & M's own marketing arm, defines them as the following functions: planning and evaluation; product development; distribution; communications; selling.

These functions cover a wide range of corporate activities. But it is important to remember that the marketing concept should not be confined to a range of activities any more than it should be the prerogative of one executive or one department. The marketing concept must permeate that corporation, influencing corporate decisions in order to reflect an ideal balance between the corporate needs and the needs of the consumer or customer.

Over 80% of all new products fail, usually in test market. Yet, two-thirds of today's grocery items were unknown 10 years ago. Could better application of the marketing concept cut costly trial and error of new product development?

THE MERGED BRAND:
A corporate communications problem

The way the corporation decides to treat an acquired brand and the relationship it establishes with it, will have a long-range impact not only upon the success or failure of the acquired brand, but upon the parent company as well.

In dealing with a large number of these acquisitions, Lippincott & Margulies has found that each situation requires two basic areas of research inquiry before a sound decision can be made about the relationship of the brand to the corporate enterprises:

1. The consumers' conception of the capabilities of the corporate enterprise: What abilities does the acquiring corporation represent to the consumers? What are its areas of competence?

2. The brand franchise: What is the brand image with its consumer group? How well known is it? Is the brand an established and valuable equity in the consumer's mind?

What does a corporation's "area of competence" mean in this context and how will it affect the new brand and the corporation itself?

Briefly, a corporation's area of competence is the range of products and services which, according to the consumers' image of the corporation, that company could produce and sell successfully.

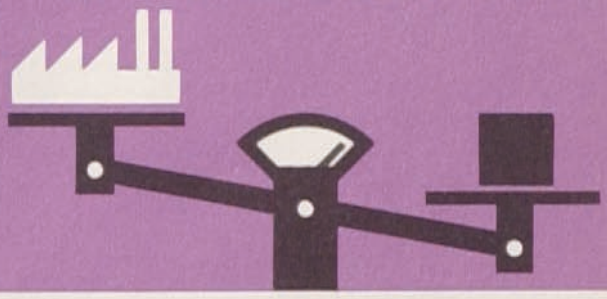
How strong is the brand name involved? Obviously, consumer reaction to the brand name will have a strong bearing on the decision to keep or emphasize this brand name rather than building a new one. The corporation must find out how well consumers know the brand. Do they respect it? Prefer it?

Of course, both corporate competence and brand images

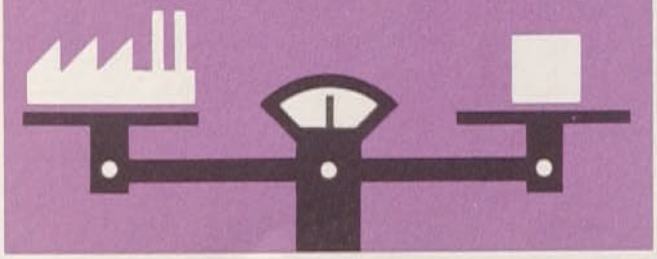
WHAT HAPPENS WHEN A CORPORATION BUYS UP A PRODUCT BRAND?

When the corporation has high perceived competence in an area, while the acquired brand has a weak franchise, the parent corporation may lend its name to the brand to strengthen it

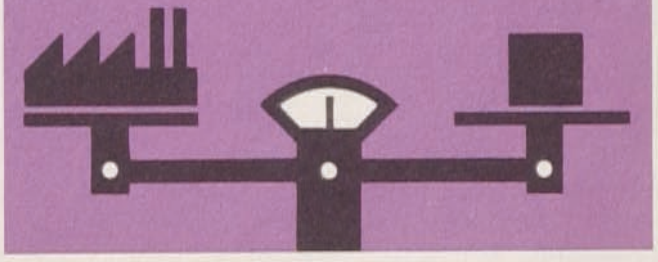
When the brand has a strong franchise, the acquiring corporation, low perceived competence, the corporation may start with minimal corporate identification to maintain the brand equity



When the brand has a weak franchise, the corporation no competence, then marketing management can choose the best new brand name and build up the brand with its own name



The corporation has competence, the brand, a strong consumer franchise. The solution is a complex "phasing in" of the corporate endorsement to link the brand with its parent



have multiple nuances that may affect the ideal relationship between brand and parent company. But, basically, there are four principal categories into which any corporation buying a new brand will fall. These broad classifications may help marketing management to orient its thinking and approach to the new brand:

1. *The corporation has a high perceived competence in an area, while the product it has acquired in that area has a weak or regional franchise.* This would undoubtedly be the case if Kraft were to buy an ice cream company with little brand equity. Since Kraft's range of competence would easily embrace a quality ice cream product, it becomes apparent that in such an instance, and taking into account the company's brand naming policy, this ice cream might be marketed as Kraft Ice Cream.

This policy of absorbing through acquisition has been the rule rather than the exception in the appliance industry, where the parent company in most instances lends its corporate name to the new brands.

But the principle would hold true also in those cases where individual brand names are retained. In such a case, the corporation could strengthen the weak new brand by lending a prominent corporate endorsement to it.

2. *The brand has a strong franchise, but the acquiring corporation has low perceived competence in this product category.* This situation is, of course, the opposite extreme. It could occur when an industrial products company, for example, buys a small, but well-known and respected peanut butter brand. In such a case, it would seem that the endorsement of the industrial products manufacturer would do little to enhance the image of the peanut butter. On the contrary, it could severely damage the brand.

But the findings are not always as clear-cut as they might seem in the case of the industrial corporation and the peanut butter firm. Let us suppose instead that the corporation in question is a well-known producer of canned meats and that it is buying a fine line of Italian chocolates. Here are two companies that produce foods. Furthermore, assume that the meat manufacturer is buying the chocolate brands as part of a marketing move into broader food areas and as part of a program to broaden his image. Would he not defeat his long-range corporate objectives by confining his endorsement of the chocolates to the fine print?

Now it becomes important to realize that you cannot build corporate competence overnight. While the chocolate brand in this hypothetical example is characterized by a strong consumer franchise, a strong endorsement policy right from the start would burden that brand with the task of changing the corporate image. But it may be against consumer credibility to picture that a manufacturer of canned meats is also the maker of high-quality imported chocolates. Instead of broadening the image of the acquiring corporation, an endorsement policy here might actually destroy the quality image of the brand.

Obviously, the solution cannot always be a pat answer applicable throughout the years. Perhaps the communications program between the brand and its new parent company must be developed through different stages which take into account the strengthening of brand images and the gradual broadening of corporate competence.

3. *The brand has a weak franchise, and the acquiring corporation has little or no perceived competence.* Whose name should the brand now bear? On the surface, this is a choice between two odious alternatives.

The sound step in such a case might be to start from scratch. Although purchasing a production capability, the marketing management now has an open option on the best communications platform. It can choose the best possible brand name to meet all the desired criteria, and build up the brand. This may prove to be a more fruitful beginning than either the direct attempt to stretch corporate competence beyond its credible limits, or the support and development of the weak brand franchise.

The brand then becomes a means for broadening the corporate competence, albeit gradually and slowly. In other words, the corporation follows the brand, once it has become strong enough to enhance the corporate reputation.

4. *The corporation has high perceived competence in the area, and the brand has a strong consumer-franchise.* Here is an ideal situation for enhancing both the corporate image and adding to the brand's equities. Yet, though the situation may sound ideal on the surface, it may require the most complex treatment and sensitive solution. The answer, here, even in a short-range program, may call for a phased-in approach consisting of several steps.

Since the brand's consumer franchise is strong, management will probably wish to retain the brand name. So, perhaps during phase one, the emphasis remains upon the brand, while the strong parent corporation's endorsement is placed in a secondary perspective, greater than the minimum requirement. During the second phase, the name of the acquiring corporation with its accepted competence in the brand's line might be moved into a position of increased importance. Eventually, perhaps, the original brand name might be subordinated to a designation like "X division of the Y Corporation."

How can these four categories serve as guideposts in making communications decisions after acquiring a brand?

These categories are not suggested to pose ready-made solutions for these complex communications problems. They may however indicate what steps to take when facing such a decision:

1. Develop a systematic approach toward corporate communications, acknowledging both the brand and the corporation as major elements in the system.

2. Develop the basic data necessary for making a decision, including good readings of what the consumer thinks of your company and the brand you have recently acquired.

3. Develop a program which takes into account the research data and the corporate communications objectives.

The effectiveness of the communications and marketing effort depends in large measure upon the thinking, research and planning that preceded it.

USS TIN PLATE

The new triangular shape of these cans makes it easy to handle without worry about spilling. It is excellent for rug shampoos, motor oil, salad oils which require storing

Very light containers in a variety of shapes, with snap open caps, are ideal for storing and serving salad oils without the current problem of drips or leakage

U. S. STEEL: A MARKETING CHALLENGE

How U. S. Steel is Stimulating the Market for Tin Plate

USS Tin Plate faced a problem familiar to all manufacturers of ingredient products rather than finished consumer goods: How could they stimulate the market for tin plate when their contact with it is really indirect.

The packaging industry, one of the fastest growing industries in the country today, was a logical prime target. Packaging industry sales are estimated at some $20 billion a year today, and may reach $30 billion within the next five years.

USS decided after analyzing the various market growth potentials for tin plate that consumer packaging offered the best opportunities for expansion. Lippincott & Margulies was engaged in mid-1961 to conduct a detailed study of the consumer packaging market and to recommend product areas for exploration.

"We seek new, imaginative and creative uses for tin plate in the packaging of modern-day household products," said Richard F. Sentner, executive vice president – commercial for U.S. Steel. "Our purpose is to show package designers and manufacturers that our product can give them greater flexibility, higher strength, lower weight, and convenience they need to meet the rapid advances being made in product distribution techniques."

L & M researched the attributes of tin plate as a packaging material and applied them to current trends in marketing and packaging. As a result of this exploration, L & M developed over 250 new packaging concepts to explore in depth.

These concepts were reviewed by U.S. Steel in consultation with L & M and measured against the competitive materials and the market potential. The most promising concepts were chosen for prototype development by J. L. Clark Manufacturing Corporation according to L & M specifications.

In the fall of 1962, U.S. Steel had the first showing of its L & M-designed "Packaging Challenge" exposition at the New York Coliseum. Attendance was by special invitation to package designers, lithographers, volume package users, and can manufacturing companies. The show featured new concepts for a broad spectrum of industries from dairy foods to sports goods. It demonstrated vividly how tin plate packaging could improve not only the form and looks of a variety of products, but how it could change distribution patterns and produce savings through changes in transportation, storage and warehousing requirements bypassing the need for refrigeration.

The show was presented for one week each in New York, Chicago and San Francisco, centers of the industries interested in these advances in packaging.

Some of the outstanding concepts (see illustrations on pages 11 and 12) included:

Cheese, packaged in strong, lightweight steel containers, to reach consumers at peak flavor. Approximately a million tons of cheese are sold each year. For this market, U.S. Steel is suggesting the ideas shown here. Lightweight tin plate containers such as these offer an opportunity for the cheese industry to bring to consumers processed cheese products preserved at the peak of their flavor and goodness — without refrigeration. The producer, moreover, can save up to 17% in distribution costs by eliminating refrigeration. The housewife can keep a variety of processed cheeses on hand, store them indefinitely unopened without taking up refrigerator space.

Convenience foods packed in cook-in containers that do away with cleaning pots and pans. These cans with concave lids can be used as pans for heating the contents by simply removing lid and paper label and placing on the stove. A special handling device is suggested for convenience in handling. This package will ease the strain on freezer storage space and display area.

Two-quart cans as handy containers for a variety of household items — motor oil for power garden equipment, cooking oil, or rug shampoo. It is designed in a triangular shape for easier handling.

What of the future? Mr. Sentner says, "U.S. Steel fully expects to maintain its interest in tin plate, particularly in the packaging field, and to demonstrate wherever possible new applications for tin plate where it can and must provide a competitive differential."

A key-opening can with reclosable lid is a new approach to merchandising cheese, preserving it at peak flavor without the usual need for costly refrigeration

After the top has been removed, this casserole can is placed in the oven, then used as a serving dish. No need for refrigeration or scrubbing pans after meals

A new approach to heating and serving starchy foods like spaghetti and beans: A special handle is suggested for this can both on stove and when serving

Lynn A. Townsend, president of Chrysler Corporation (left), discusses his company's corporate identity program with J. Gordon Lippincott (right). This corporate identity program has spanned all of Chrysler's corporate and divisional communications.

Look for the detailed story of the evolution of this Corporate Identity System in a forthcoming issue of Design Sense.

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